

twelfth
annual
report
1966





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Pembina Pipe Line Ltd.

HIGHLIGHTS OF 1966

	1966	1965
FINANCIAL		
Gross revenue	\$ 7,478,304	7,455,316
Net earnings	1,427,827	1,471,846
Net earnings per common share	0.82	0.86
Capital expenditures	3,535,143	5,465,497
Long term debt less current maturities	8,775,600	10,046,900
Investment in fixed assets at year end	45,121,045	41,694,357
OPERATING		
Crude oil transmission:		
Average daily pipe line deliveries—		
barrels per day	114,430	118,270
Miles of pipe line at year end	921	909
Oil and gas production:		
Oil production—net barrels	201,300	122,100
Gas production—billion cubic feet	4.21	3.77
Land—gross acres at year end	1,153,146	927,811
Land—net acres at year end	896,065	819,957



Pembina Pipe Line Ltd.

REPORT TO THE SHAREHOLDERS

This Report covers the twelfth year of operations of your Company.

Financial and Earnings

Revenue from all operations for the year ended November 30, 1966 amounted to \$7,478,000, an increase of \$23,000 over the revenue for the previous year. Revenue from pipe line operations was lower in the year when compared with 1965 because of reduced throughputs but this reduction in revenue of \$220,000 was more than offset by increased revenue from oil and gas producing operations. Operating expenses in the year were relatively unchanged from those of the previous year; however, exploration and dry hole costs were up \$285,000. After provision for all charges to income and for deferment of income taxes, net earnings for the year amounted to \$1,428,000 compared with \$1,472,000 for the previous year. After allowing for preferred dividends, earnings per common share were 82c in 1966 compared with 86c in 1965.

Pipe Line System

During the year under review 12 miles of gathering laterals were constructed to connect 10 additional producer tank batteries to the pipe line system. This is a significant reduction in the extensions to the system when compared with former years. The Alberta Oil and Gas Conservation Board established the remaining recoverable reserves in the fields served by your Company's pipe line system at the beginning of 1966 as being 1,366,000,000 barrels.

Acquisition of oil and gas producing properties

Oil producing properties in the Boundary Lake field in British Columbia and in the Willesden Green and Pembina fields in Alberta were acquired in the year as were gas producing properties in the Provost, Cessford and Etzikom fields in southern Alberta.

Acreage Interests added in the year

Acreage interests were obtained in the Rainbow Lake, North Zama, Hay Lake, Bistcho and Mitsue areas of Alberta; in the West Peejay and Beaver-skin areas of British Columbia; and in Saskatchewan in an area of interest for exploration of the Winnipegosis reef trend. Those of particular interest are outlined on maps elsewhere in this report.

Development and Exploratory Drilling

Your Company participated in the drilling of 15 wells in 1966 resulting in the completion of 6 oil wells, 4 gas wells, 1 suspended well, 3 dry holes and 1 well testing at year end. This program, together with interests in producing wells purchased in the year, brought the total of net wells capable of production owned by your Company at November 30, 1966, to 46 gas wells and 23 oil wells.

Operations

Pipe line throughputs for the year averaged 114,430 barrels per day, a reduction of 3.2% when compared with the previous year. The 1966 fiscal year was the first full year under the new Conservation Board proration formula which became effective on May 1, 1965, and accounts for the lower throughputs.

Crude oil and natural gas production for the year averaged 552 barrels per day and 11.53 MMCF per day respectively. Compared with the previous year these are increases of 65% and 12%.

*Future
Outlook*

The general outlook for your Company in 1967 can be favourably compared with the results obtained in 1966. It is estimated that throughputs in the pipe line system will continue in the year at the level of 1966. Revenues from presently owned producing oil and gas properties are expected to increase about 20% in the year. As indicated by the acreage interests acquired to date and mentioned previously in this report, your Directors believe that it is essential to share in exploration of potentially high reserve areas such as the Keg River reef trend. Accordingly your Company intends to continue its exploration efforts in this search while still actively pursuing the acquisition of developed oil and gas properties.

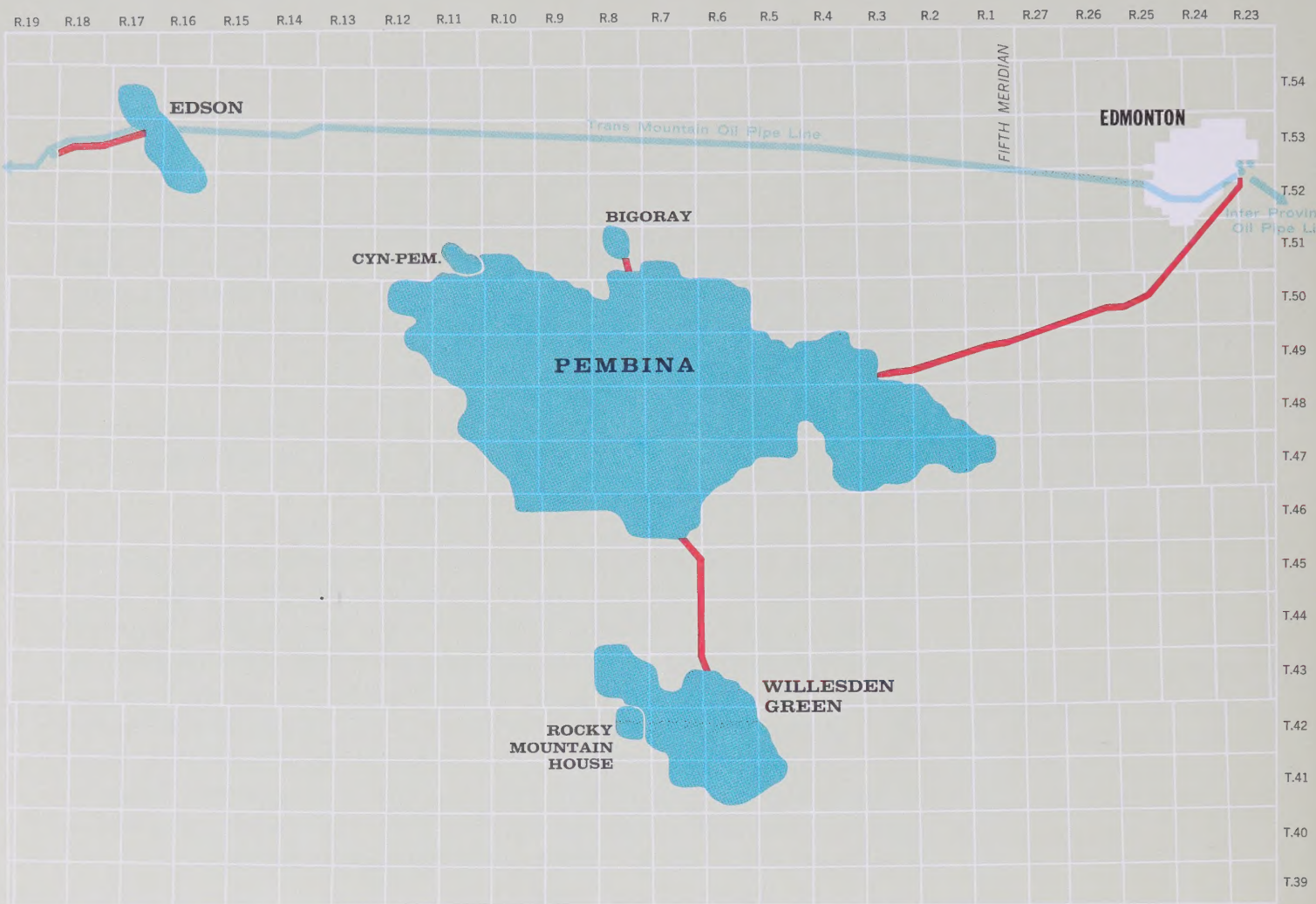
Your Directors wish to express sincere thanks to all employees of the Company for their continuing high standard of performance in their work.

By Order of the Board,

Calgary, Alberta
February 9, 1967



President



— Pembina System

• Delivery Point

— Connected Carrier

Oil Field

	System Facilities		
	Oil Wells Served	Field Batteries	Miles of Line
Pembina	3,250	376	722
Willesden Green	279	35	82
Bigoray	14	1	10
Cyn Pem	21	1	4
Rocky Mountain House	11	2	4
Edson	24	6	21
Trunk Line	—	—	78
	<u>3,599</u>	<u>421</u>	<u>921</u>

Pembina Pipe Line Ltd.

PIPELINE STATISTICS

FIELD RECEIPTS

Crude oil receipts from all fields amounted to 41,767,000 barrels, and the following table indicates the amount received from each field:

	1966	1965
Pembina	38,625,000	39,994,000
Willesden Green	2,211,000	2,260,000
Bigoray	215,000	196,000
Cyn Pem	281,000	280,000
Rocky Mountain House	41,000	54,000
Edson	394,000	385,000
	<u>41,767,000</u>	<u>43,169,000</u>

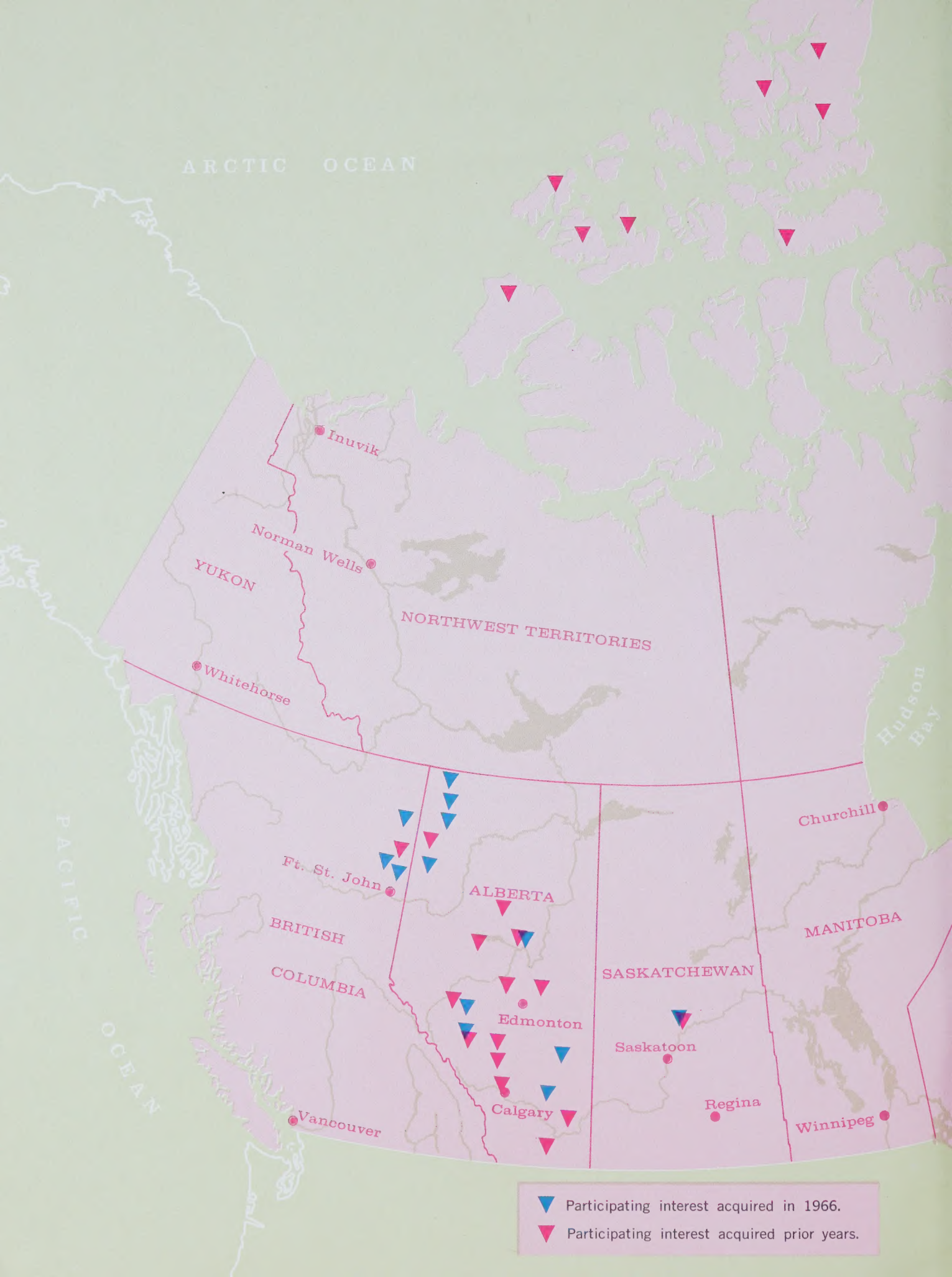
MAIN LINE THROUGHPUTS

The above noted crude oil was delivered to the following delivery points:

Interprovincial Pipe Line Company at Edmonton	20,405,000	21,903,000
Trans Mountain Oil Pipe Line Co. at Edmonton	7,756,000	6,647,000
Refineries at Edmonton	13,213,000	14,234,000
Gibson Petroleum Company near Edson . .	393,000	385,000
	<u>41,767,000</u>	<u>43,169,000</u>

FACILITIES ADDED IN 1966

	Pembina	Willesden Green	Total
Miles of crude oil gathering lines installed	8	4	12
New batteries connected	8	2	10
Batteries automated	18	2	20



Pembina Pipe Line Ltd.

OIL AND GAS PRODUCTION STATISTICS

CRUDE OIL PRODUCTION (Net Barrels)

Following is a table indicating crude oil production from various fields:

	<u>1966</u>	<u>1965</u>
Crossfield	7,445	9,502
Gilby	8,972	12,305
Medicine River	25,596	21,805
Mitsue	44,576	5,638
Pembina	23,845	18,066
Swan Hills	41,044	31,399
Willesden Green	20,389	15,741
Hastings	9,302	7,632
Boundary Lake	20,150	—
	<u>201,319</u>	<u>122,088</u>

GAS PRODUCTION (MMCF)

Volumes of gas produced from various fields were as follows:

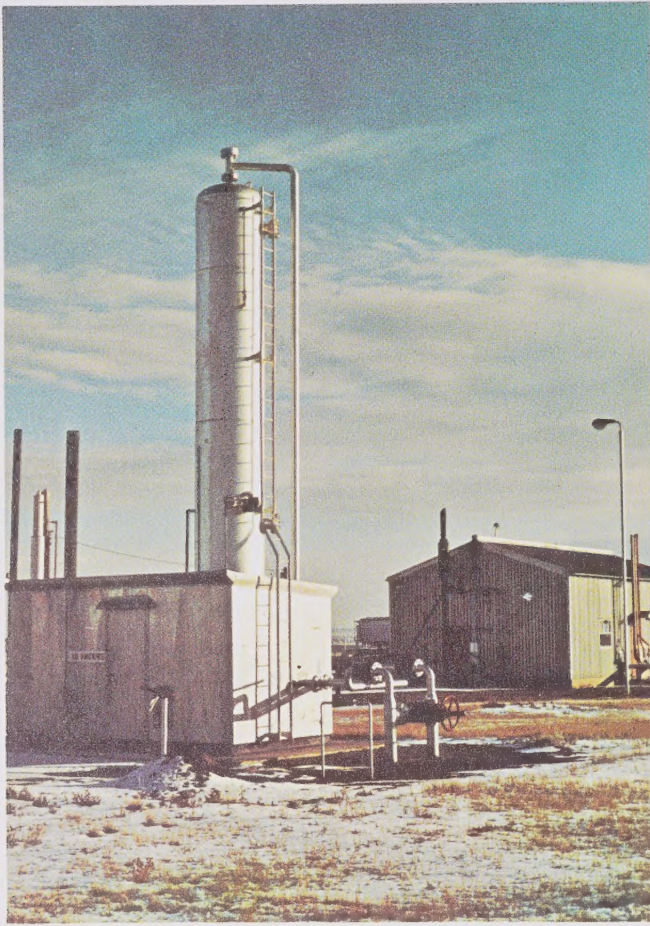
	<u>1966</u>	<u>1965</u>
Etzikom	1,236	1,420
Medicine Hat	2,839	2,345
Provost	45	—
Cessford	87	—
	<u>4,207</u>	<u>3,765</u>

SUMMARY OF WELLS ADDED IN 1966

	<u>Gross</u>	<u>Net</u>
Gas Wells	29	7
Oil Wells	105	6
	<u>134</u>	<u>13</u>

SUMMARY OF ACREAGE ACQUIRED IN 1966

	<u>Gross</u>	<u>Net</u>
British Columbia	29,167	2,605
Alberta	84,534	17,732
Saskatchewan	111,727	55,864
	<u>224,428</u>	<u>76,201</u>



Your Company drilled and completed four gas wells in the Medicine Hat field in 1966.



Pembina Pipe Line Ltd.

SOURCE AND APPLICATION OF FUNDS 1966

(with comparison for previous years)

	1966	1965	1964	1963	1962
SOURCE OF FUNDS:					
Net earnings	\$1,427,827	1,471,846	1,543,508	1,369,688	1,359,375
Depreciation and amortization . . .	1,809,660	1,885,245	1,657,174	1,493,609	1,373,726
Deferred income taxes	935,923	914,171	1,002,503	164,801	95,502
Provision to defer income tax credits .	463,180	546,325	579,717	—	—
Debt discount amortized	29,479	24,529	24,858	26,915	28,629
Production loans (net)	(399,800)	2,220,400	1,048,500	—	—
Other items (net)	—	—	4,000	—	994
	<u>\$4,266,269</u>	<u>7,062,516</u>	<u>5,860,260</u>	<u>3,055,013</u>	<u>2,858,226</u>

APPLICATION OF FUNDS:

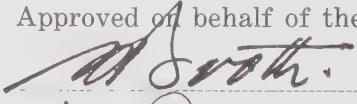
Additions to carrier property, land, leases, wells and other equipment (net)	\$3,535,143	5,465,497	4,307,150	1,389,171	1,244,984
Sinking fund requirements	616,000	1,481,000	1,390,000	1,330,000	1,182,000
Additional income taxes	—	—	56,306	—	3,093
Investment in bonds and shares of other companies	—	(50,500)	(8,381)	300,000	2,500
Advances to wholly owned subsidiaries (net)	(31,525)	(29,111)	(5,617)	100	56,517
Preferred dividends	65,873	72,083	75,523	79,188	83,580
Operating oil supply	—	—	3,381	—	—
	<u>\$4,185,491</u>	<u>6,938,969</u>	<u>5,818,362</u>	<u>3,098,459</u>	<u>2,572,674</u>

Increase (Decrease) in Working

Capital	\$ 80,778	123,547	41,898	(43,446)	285,552
Working Capital (Deficit)	\$ (342,868)	(423,646)	(547,193)	(589,091)	(545,645)

Pembina Pipe Line Ltd.

ASSETS

	1966	1965
Fixed assets, at cost:		
Investment in carrier property, land, leases, wells and other equipment	\$44,635,473	\$41,208,785
Less accumulated depreciation and amortization	13,111,170	11,447,414
	31,524,303	29,761,371
Operating oil supply	485,572	485,572
	32,009,875	30,246,943
Investment in shares and advances to wholly-owned subsidiary companies:		
Investment in shares, at cost	22,600	22,600
Advances	13,227	44,752
	35,827 ✓	67,352
Investment in bonds and shares of other companies, at cost	243,619 ✓	243,619
Current assets:		
Cash	15,573 ✓	276,852
Accounts receivable:		
Trade accounts	663,209	620,618
Others	207,523	64,099
Funds held by trustee	2,206	—
Materials and supplies, at cost	37,728	57,210
Deposits and prepaid expenses	49,011	76,186
Short term investments, at cost plus accrued interest	2,188,756 ✓	201,314
	3,164,006	1,296,279
Deferred charges:		
Unamortized discount on funded debt	66,877	96,356
Organization expenses	3,656	3,656
	70,533	100,012
Goodwill and other intangibles, less amounts written off	582,710	620,157
Approved on behalf of the Board:		
 , Director		
 , Director	\$36,106,570	\$32,574,362

The accompanying notes form an in-
This is the balance sheet referred to in the report of Peat, Mar-

BALANCE SHEET—NOVEMBER 30, 1966

(with comparative figures for 1965)

LIABILITIES

	1966	1965
Funded debt, less current maturities (Note 1)	\$ 5,906,500	\$ 6,778,000
Production loans—secured, less current portion (Note 2)	2,869,100	3,268,900
	<u>8,775,600</u>	<u>10,046,900</u>
Current liabilities:		
Demand bank loans	1,500,000	—
Accounts payable and accrued charges	1,358,177	851,819
Interest accrued on funded debt	17,497	16,454
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company	232,800	454,650
Production loan payments due within one year	398,400	397,000
	<u>3,506,874</u>	<u>1,719,923</u>
Deferred taxes on income (Note 3)	5,393,770	4,428,295
Deferred income tax credits on petroleum and natural gas interests (Note 3)	1,633,508	1,126,042
Shareholders' equity:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each. Authorized 60,000 shares; issued 40,000 shares (Note 4)	2,000,000	2,000,000
Less shares redeemed: 1966—13,000 shares; 1965—10,500 shares	650,000	525,000
	<u>1,350,000</u>	<u>1,475,000</u>
Less sinking fund payment due within one year	125,000	125,000
	<u>1,225,000</u>	<u>1,350,000</u>
Common shares of a par value of \$1.25 each. Authorized 4,000,000 shares; issued: 1966—1,665,032 shares; 1965—1,623,177 shares	2,081,290	2,028,971
	<u>3,306,290</u>	<u>3,378,971</u>
Capital redemption reserve fund	650,000	525,000
Paid-in surplus	510,710	182,529
Retained earnings (Note 5)	12,329,818	11,166,702
	<u>16,796,818</u>	<u>15,253,202</u>
	<u>\$36,106,570</u>	<u>\$32,574,362</u>

part of the financial statements.

atchell & Co., Chartered Accountants, dated January 23, 1967.

Pembina Pipe Line Ltd.

STATEMENT OF EARNINGS

Year ended November 30, 1966
(with comparative figures for 1965)

	1966	1965
Revenue from operations	\$7,478,304	\$7,455,316
Expenses:		
Operating	2,066,064	2,071,867
Exploration and non-productive drilling	290,441	5,000
Directors' fees	4,650	4,600
Depreciation and amortization	1,809,660	1,885,245
	<u>4,170,815</u>	<u>3,966,712</u>
Net earnings from operations	<u>3,307,489</u>	<u>3,488,604</u>
Miscellaneous charges (income) net:		
Interest, and amortization of discount on funded debt	500,539	575,370
Profit on sinking fund operations	(19,980)	(19,108)
	<u>480,559</u>	<u>556,262</u>
Net earnings before the following	2,826,930	2,932,342
Provision for future years' income taxes (Note 3)	935,923	914,171
	<u>1,891,007</u>	<u>2,018,171</u>
Provision to defer income tax credits on petroleum and natural gas interests (Note 3)	463,180	546,325
Net earnings	<u>\$1,427,827</u>	<u>\$1,471,846</u>

The accompanying notes form an integral part of the financial statements.

Pembina Pipe Line Ltd.

STATEMENT OF RETAINED EARNINGS

Year ended November 30, 1966		
Balance at November 30, 1965		\$11,166,702
Add net earnings year ended		
November 30, 1966		<u>1,427,827</u>
		12,594,529
Deduct:		
Adjustment of income tax provisions		
for prior years	\$ 73,838	
Dividend paid on 5% cumulative		
redeemable first preferred shares . . .	65,873	
Transfer to capital redemption		
reserve fund	<u>125,000</u>	<u>264,711</u>
Balance at November 30, 1966		<u><u>\$12,329,818</u></u>

STATEMENT OF CAPITAL REDEMPTION RESERVE FUND

Year ended November 30, 1966		
Balance at November 30, 1965	\$	525,000
Add transfer from retained earnings re		
redemption of preferred shares		<u>125,000</u>
Balance at November 30, 1966	\$	<u><u>650,000</u></u>

STATEMENT OF PAID-IN SURPLUS

Year ended November 30, 1966		
Balance at November 30, 1965	\$	182,529
Add excess of par value of 6% convertible		
debentures converted (\$380,500) over		
par value of common shares issued		
(\$52,319)		<u>328,181</u>
Balance at November 30, 1966	\$	<u><u>510,710</u></u>

The accompanying notes form an integral part of the financial statements.

Pembina Pipe Line Ltd.

NOTES TO FINANCIAL STATEMENTS

November 30, 1966

	1966	1965
1. Funded debt:		
First mortgage bonds:		
4¼ % serial bonds, series "A":		
Authorized and issued (maturing as to \$400,000 on December 1, in each year) . . .	\$3,500,000	\$3,500,000
Less redeemed and cancelled	3,500,000	3,100,000
	<u>—</u>	<u>400,000</u>
4¾ % 17-year bonds, series "A", due December 1, 1971:		
Authorized and issued	4,000,000	4,000,000
Less redeemed and cancelled	2,241,000	1,791,000
	<u>1,759,000</u>	<u>2,209,000</u>
4½ % bonds, series "B", due October 1, 1973:		
Authorized and issued	3,125,000	3,125,000
Less redeemed and cancelled	1,811,000	1,623,000
	<u>1,314,000</u>	<u>1,502,000</u>
6 % bonds, series "C", due December 1, 1974:		
Authorized and issued	2,400,000	2,400,000
Less redeemed and cancelled	1,136,000	994,000
	<u>1,264,000</u>	<u>1,406,000</u>
	<u>4,337,000</u>	<u>5,517,000</u>
Debentures:		
5 % sinking fund debentures, series "A", due December 1, 1972:		
Authorized and issued	2,000,000	2,000,000
Less redeemed and cancelled	963,500	783,500
	<u>1,036,500</u>	<u>1,216,500</u>
5 % sinking fund debentures, series "B", due October 1, 1974 (conversion privilege expired):		
Authorized and issued	1,400,000	1,400,000
Less converted into common stock and redeemed and cancelled	483,000	399,000
	<u>917,000</u>	<u>1,001,000</u>
6 % sinking fund debentures, series "C", due December 1, 1975 (conversion privilege expired):		
Authorized and issued	720,000	720,000
Less converted into common stock and redeemed and cancelled	652,500	269,500
	<u>67,500</u>	<u>450,500</u>
	<u>2,021,000</u>	<u>2,668,000</u>
Total funded debt	6,358,000	8,185,000
Deduct sinking fund payments due within one year, less principal amount of securities delivered in advance of requirements amounting to: 1966—\$772,000; 1965—\$417,000	271,000	671,500
Funded debt less current maturities . . .	6,087,000	7,513,500
Deduct securities purchased to meet other than current maturities	180,500	735,500
	<u>\$5,906,500</u>	<u>\$6,778,000</u>

2. Production loans consist of demand bank loans in the amount of \$3,267,500 which loans will be repaid at a rate sufficient to retire \$398,400 by November 30, 1967. These loans are secured by certain of the company's interests in petroleum and natural gas properties and an assignment of their interest in the gas purchase contracts applicable to the pledged natural gas interests.
3. In accordance with the Income Tax Act the company is permitted, for tax purposes, to claim depreciation in amounts other than those provided in its accounts and also to deduct the cost of petroleum and natural gas interests. Accordingly, tax deferrals and savings have been effected during the year and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income and a credit to deferred income tax credits on petroleum and natural gas interests. The latter is being amortized over the life of the petroleum and natural gas interests, and represents the savings in excess of taxes expected to be payable in the future when depletion will be claimed on production income.
4. The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days notice at par value plus a premium of 2% to December 1, 1966 and thereafter at a reducing premium to December 1, 1972, after which no premium is payable upon redemption.
5. The trust deeds securing the first mortgage bonds and the debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.

Statement in accordance with Section 122(6) of The Companies Act (Alberta):

The company has three subsidiary companies, two of which were inactive during the year ended November 30, 1966. The results of all prior operations of the inactive subsidiary companies have been reflected in the accounts. The active subsidiary has sustained a cumulative loss to November 30, 1966 of \$3,939, which loss has not been reflected in the accounts of Pembina Pipe Line Ltd.



Director



Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pembina Pipe Line Ltd. as of November 30, 1966 and the statements of earnings, retained earnings, capital redemption reserve fund and paid-in surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

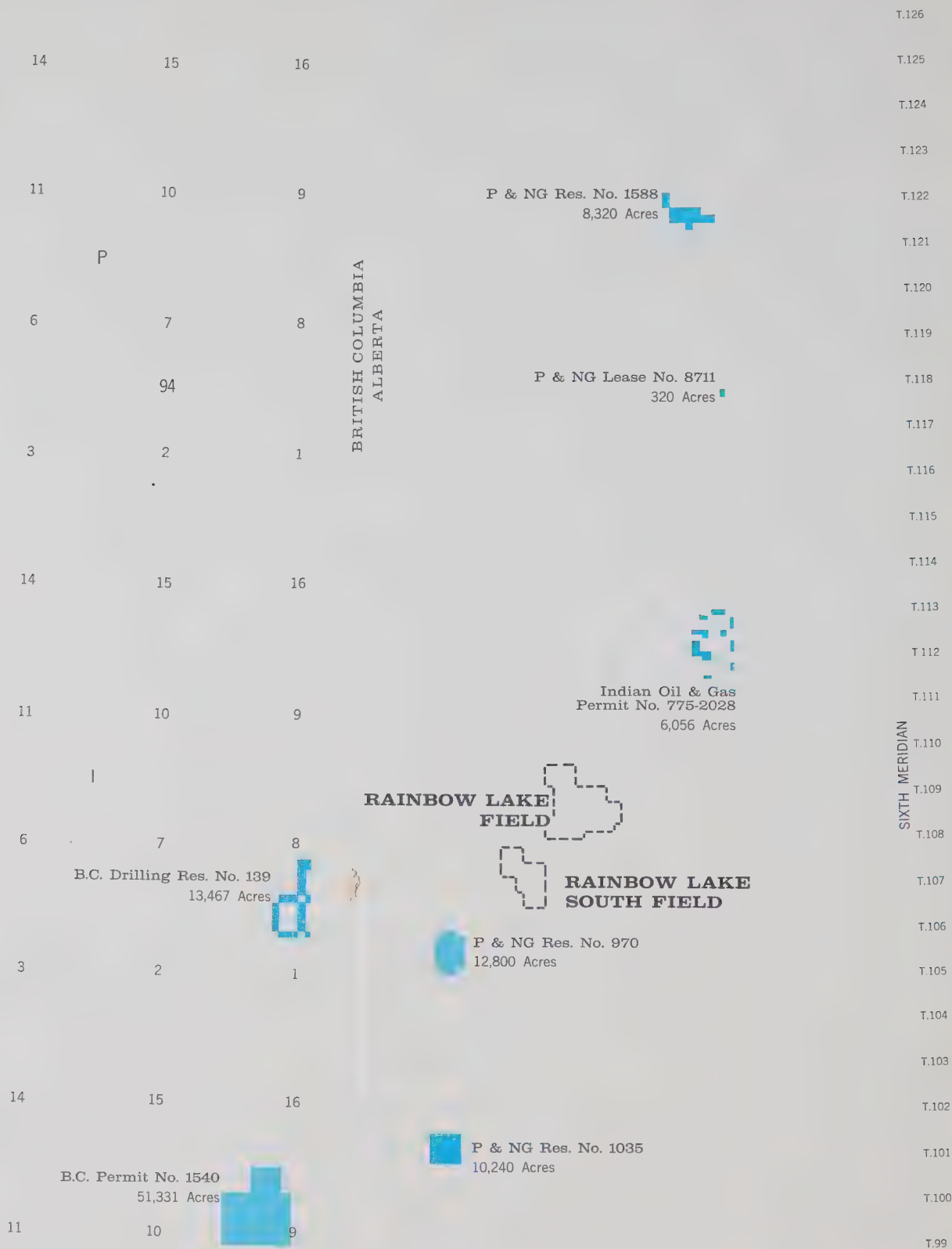
In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings, capital redemption reserve fund and paid-in surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at November 30, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 23, 1967

Peat, Marwick, Mitchell & Co.
Chartered Accountants

NORTHWEST TERRITORIES

R.12 R.11 R.10 R.9 R.8 R.7 R.6 R.5 R.4 R.3 R.2 R.1 W6.M.



Your Company acquired additional acreage in the area of Keg River reef exploration.



Participating interest acquired in 1966.

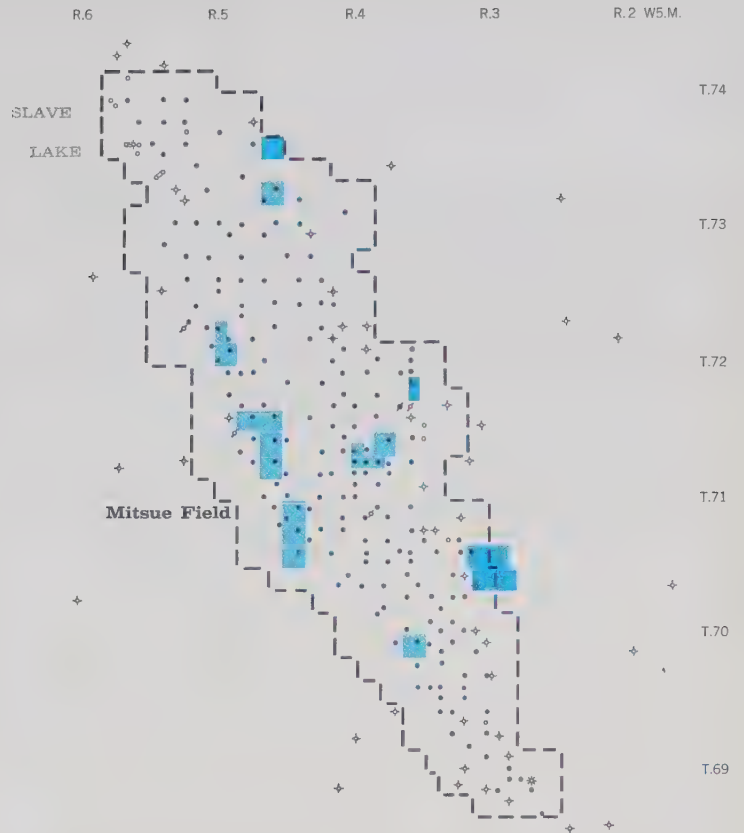


Participating interest acquired prior years.

In 1966 your Company participated with others in the drilling and completion of 6 oil wells in the Mitsue field.

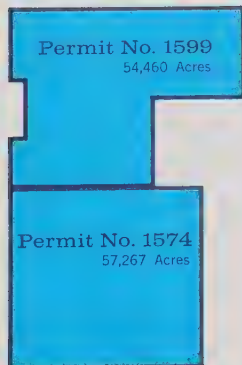
-  Participating interest acquired in 1966.
-  Participating interest acquired prior years.

- Location or Drilling
- Oilwell
- ⊗ Gaswell
- ⊕ Abandoned
- ⊘ Suspended



R.1 W3.M. R.27 R.26 R.25 R.24 R.23
PRINCE ALBERT T.48

Third Meridian



T.47

T.46

T.45

T.44

T.43

T.42

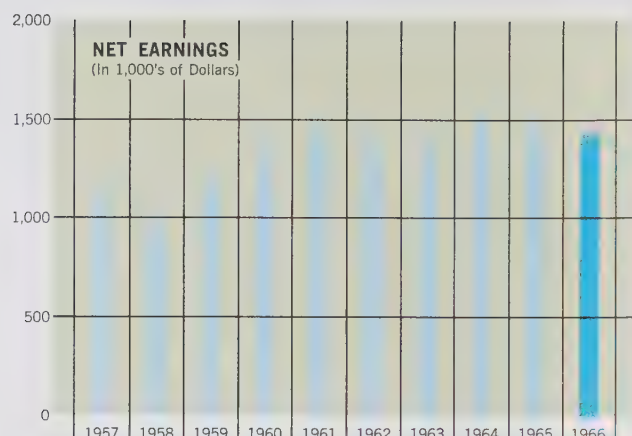
T.41

T.40

T.39

In Saskatchewan your Company acquired an interest in permits which are in an active area of Winnipegosis Reef exploration.

Pembina Pipe Line Ltd.



	<u>1966</u>	<u>1965</u>
FINANCIAL (In thousands of dollars)		
Gross revenue	\$ 7,478	7,478
Net earnings	\$ 1,428	1,117
Earnings per common share	82¢	80¢
Capital expenditures	\$ 3,535	3,000
Investment in fixed assets at year end—at cost	\$ 45,121	18,200
Long term debt less current maturities at year end	\$ 8,776	10,000

TEN YEAR REVIEW

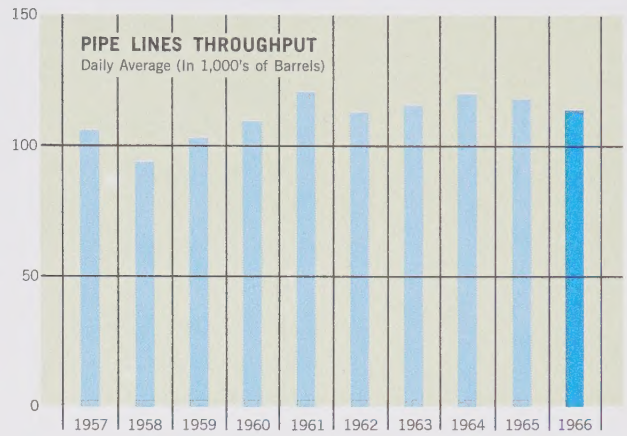
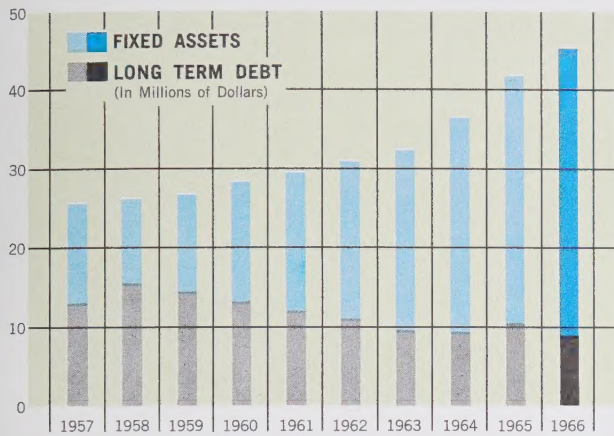
OPERATIONS

Pipe Line:

Average deliveries—barrels per day . .	114,430	115,000
Miles of line built in year	12	12
Miles of line in system at year end . . .	921	909

Oil and Gas:

Crude oil production—net barrels . . .	201,300	199,000
Gas sales—billion cubic feet	4.21	4.21
Wells net at year end:		
Oil	23	23
Gas	46	46



1964	1963	1962	1961	1960	1959	1958	1957
7,073	6,290	6,397	6,731	5,974	5,647	4,979	5,191
1,544	1,370	1,359	1,452	1,324	1,191	1,002	1,095
91¢	80¢	79¢	85¢	77¢	69¢	57¢	62¢
4,307	1,389	1,245	1,391	1,652	1,774	724	5,468
36,345	32,223	30,897	29,702	28,361	27,815	26,076	25,558
9,308	9,574	10,829	11,936	13,087	14,129	15,163	12,880
20,850	116,740	113,580	121,550	110,400	103,400	94,000	106,000
37	32	51	58	58	85	49	151
870	833	814	763	706	650	565	543
14,000							
1.49							
10							
8	6						

Pembina Pipe Line Ltd.

DIRECTORS

H. BOOTH

Calgary, Alberta

E. CONNELLY

Calgary, Alberta

E. W. COSTELLO

Calgary, Alberta

J. P. GALLAGHER

Calgary, Alberta

F. C. MANNIX

Calgary, Alberta

B. L. MONTGOMERY

Calgary, Alberta

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Montreal, Quebec

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The Royal Bank of Canada

Calgary, Alberta

TRANSFER AGENTS AND REGISTRARS

The Montreal Trust Company

Calgary, Alberta

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Vice-President

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Black, Gain & Stratton

Calgary, Alberta

AUDITORS

Peat, Marwick, Mitchell & Co.

Calgary, Alberta

HEAD OFFICE:

300 - 9th Avenue S.W.

Calgary, Alberta

FIELD OFFICES:

P.O. Box 330

Drayton Valley, Alberta

P.O. Box 579

Redcliff, Alberta

